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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday August 9, 1977

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

DIA review(s) completed.

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National Intelligence Daily Cable for Tuesday, August 9, 1977.

The NID Cable is for the purpose of informing senior US officials.

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SOUTH AFRICA: Anti-Americanism

[Redacted] South African Prime Minister Vorster's highly critical speech on Saturday marked a peak in anti-US sentiment, which has been growing in South Africa since Vorster returned from a meeting in May with US Vice President Mondale.

[Redacted] On the day before Vorster's speech, Minister of Defense P. W. Botha lectured the US defense attache in Pretoria on the dire consequences of US policy toward South Africa. Botha obviously wanted his views transmitted to Washington. The defense minister said:

--South Africa now distrusts the Western world, particularly the intentions of the US and the UK.

--The US is South Africa's enemy as much as the Russians.

--South Africa will go to war to save itself, (although he said he meant it as no threat).

--If it comes to armed conflict, South Africa will change the face of southern Africa.

[Redacted] Botha described US policy as totally negative. The US, he said, was demanding black majority rule in South Africa and "we will never, never agree to that."

25X1 [] Vorster's speech and Botha's private remarks are probably timed to set the tone for a meeting in London late this week between Secretary Vance, the British foreign secretary, and the South African foreign minister to discuss a peace plan for Rhodesia which depends heavily on South African willingness to apply economic and political pressure on the Rhodesian government. Both talks, even so, represent a progressive hardening of South African attitudes toward the US and its demands for majority rule, which all sections of white South Africa see as suicidal for their present society.

25X1 [] Since the Vorster-Mondale meeting, resistance has grown to US demands for change, abetted by critical comments by South African officials. There is also a clear strategy to appeal over the heads of US government officials to American business leaders, members of Congress, and sympathetic US organizations and citizens to stop pressing South Africa. The Foreign Minister visited the US in June with that objective in mind.

25X1 [] At least one South African newspaper has been running a long series of articles on how the US has been trying to undermine South Africa, and in June, the first anti-American signs appeared outside Johannesburg. []

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WEST GERMANY: Lackluster Economics

25X1 [] *//West German Chancellor Helmut Schmidt will meet leading ministers in Hamburg today to discuss the budget and other economic matters. Bonn has come under increasing pressure from business and labor to boost the flagging economy in the wake of the latest disappointing statistics.//*

25X1 [] *//According to figures released by the Economics Ministry and the Federal Labor Office, June industrial orders declined 1.5 percent from May, thus undermining hopes for strong demand during the second half of the year. Foreign orders, the lifeblood of West German industry, declined most sharply--6 percent. Coming before the recent sharp rise in the Deutschemark, the fall-off in foreign orders is particularly worrisome.//*

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[] West German industrial production in the first half of the year was up less than 2 percent over the preceding six-month period on a seasonally adjusted basis. This suggests that real overall economic growth this year may not reach 4 percent.

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[] July's unemployment, which totaled 973,000, exceeds last year's by more than 20,000 and accounts for about 4.3 percent of all wage and salary earners. Unemployment usually rises during the July vacation period, this year's increase was the largest since 1974, just prior to the 1974-1975 recession.

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[] //With both coalition parties badly split internally, agreement on new stimulative measures would be difficult. Following the recent increase in the turnover tax combined with some reductions in business taxes, left-wing members of the ruling Social Democratic and Free Democratic parties, strongly supported by the unions, sharply oppose further investment incentives as advocated by Economics Minister Friderichs. Instead, they propose more government investment in public works projects and, if necessary, government action to limit overtime to spread available employment.//

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[] //If the economic statistics in the fall fail to show significant improvement, as now seems likely, political pressures will force Schmidt to take action to retain the support of his own party. Next year's state elections in Lower Saxony and Hesse, where unemployment will be an important issue, could ultimately cost him his job. The need to compromise opposing views within and between the coalition parties would probably leave Bonn with additional manpower programs as the least controversial of possible measures.//

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[] Schmidt could invoke the Stability and Growth Law by attributing West German economic troubles to the worldwide economic malaise. The law permits the government, without parliamentary approval, temporarily to lower or raise income taxes up to 10 percent to restore economic equilibrium. []

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USSR - NORTH KOREA: Defense Zone

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[] *The USSR has indicated concern over last week's announcement by North Korea of an offshore defense zone.*

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[] Last Wednesday a Soviet embassy official in Washington asked about the US reaction to the North Korean announcement. He noted that the US and USSR had many common interests in matters concerning law of the sea, especially regarding the right of free navigation in international waters. He also expressed an interest in exchanging information on the North Korean situation.

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[] Moscow also publicly registered discontent over North Korea's actions. On Thursday *Izvestia* carried without comment a Japanese news agency report quoting the Japanese chief cabinet secretary's strong statement opposing the defense zone as contrary to international law. *Krasnaya Zvezda* repeated this coverage the following day. The Soviets traditionally run Western news stories without comment to register their own reaction while maintaining the appearance of neutrality.

[] Moscow's reaction is another example of the Soviets' continuing problems with North Korea and their difficulty in reconciling Moscow's stated support for third world positions with its own interests in law of the sea matters. []

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ETHIOPIA-DJIBOUTI: Troubled Relations

Problems involving the Republic of Djibouti may become another source of friction between Ethiopia and Somalia. Djibouti's domestic ethnic rivalries have weakened the government's authority, and its relations with Ethiopia are worsening. Ethiopia may try to recoup its influence by subverting the government, a move certain to provoke a response from Somalia.

Djibouti has not accepted the credentials of the Ethiopian ambassador-designate, Fitigu Tadesse, who was nominated soon after Djibouti became independent in June.

An incursion by Ethiopian troops to steal livestock in late July led Djibouti President Gouled to cancel the ceremonies at which he was to receive Fitigu's credentials. Gouled sent a strong protest to Ethiopian Chairman Mengistu and has refused to accept Ethiopia's offer to pay compensation.

Gouled also is angry over Fitigu's alleged activities supporting pro-Ethiopian political groups who are his main rivals. Fitigu was recalled to Addis Ababa on Wednesday for consultations on why relations are strained.

The tensions caused by the Ethiopian-Somali conflict have increased ethnic animosities in Djibouti. The Issas, the main ethnic Somali group in Djibouti, are upset over the plight of their kinsmen in the Ogaden, and large numbers of Issas from northeastern Ethiopia have taken refuge in Djibouti. The Issas believe Ethiopian troops have attacked civilians in retaliation for guerrilla raids on Ethiopian garrisons, and last month ethnic Somalis in Djibouti demonstrated against Ethiopian citizens in Djibouti.

The ethnic Somalis and the Afars, an ethnic group with ties to Ethiopia, are feuding over the composition of the new Djiboutian army. The core of the army consists of Djiboutians who served with French forces stationed in the territory.

25X1 [] Gouled agreed to integrate 300 members of the Front for the Liberation of the Somali Coast into the army to placate Front militants and Somalia. The Front was organized and trained by Somalia, but it now has legal status in Djibouti. Some of its leaders are members of the legislative assembly and the cabinet.

25X1 [] In response, militant Afar members of the Djibouti Liberation Movement, an Ethiopian puppet organization, are demanding to be integrated into the Djibouti army also. Their demand is apparently supported by pro-Ethiopian Afar politicians whose positions have declined relative to Gouled and other political leaders supported by Somalia.

25X1 [] Nor are all Front members satisfied with the present arrangement. A large number of Front militants who have been denied entry into Djibouti recently gathered in Somalia and threatened to cross into Djibouti. A committee of Djiboutian and Somali government officials has so far managed to prevent the march.

25X1 [] According to the French ambassador, 75 Front members from Djibouti crossed into Ethiopia in early July and occupied an abandoned police post on the railroad connecting Djibouti and Addis Ababa. They were joined by 200 of their comrades.

25X1 [] Pay grievances in the Djibouti army have added to the government's problems. Djiboutians who served in the French army are angry over taking substantial pay cuts in the new Djibouti force. Gouled late last month announced severe sanctions would be imposed against troops who threatened not to perform their duties.

25X1 [] Ethiopia is inclined to interpret Djibouti's diplomatic coolness, and its apparent toleration of Somali Liberation Front activities, as evidence that Djibouti is increasingly coming under Somalia's domination. The Ethiopians may react by using their assets in Djibouti against Gouled's government.

25X1 [] Ambassador-designate Fitigu has acknowledged to the US charge on several occasions that Ethiopia possesses considerable ability to "destablize" Djibouti. Somalia probably has superior subversive capabilities, however, and would use them to block Ethiopia's efforts. A direct attack by either is unlikely while France maintains 4,000 troops in the territory.

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SPAIN: Moderate Party Announced

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[] *The governing political alliance of Spanish Prime Minister Suarez signaled its determination to campaign forcefully for the municipal elections later this year by forming a single party.*

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[] The dozen-odd factions that make up the Union of the Democratic Center announced the formation last Thursday following a meeting of their leaders. Details of the new organization will be worked out at a party congress sometime this fall.

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[] Suarez can now say that he heads the largest party in Spain, a claim the opposition socialists have used advantageously since the parliamentary election on June 15.

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[] No date has been set for the municipal elections, but a high government official told the US embassy last month that they would be held before the end of the year. Leftist parties, in particular the Socialists, are confident that they will better their performance in the parliamentary election in which they almost upset the Suarez alliance. The Democratic Center, which hardly bothered to campaign for the parliamentary election, has now served notice that it will not be taken by surprise again and reportedly will press ahead with preparations for the election campaign. []

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BRIEF

OAU-Ethiopia-Somalia:

[REDACTED] The Somali delegation walked out of the Saturday meeting of the Organization of African Unity mediation committee and refused to return despite pleas from top OAU officials.

[REDACTED] The Somali and Ethiopian foreign ministers presented their cases on Saturday. The Ethiopian called for OAU assistance to stop Somali aggression and for the immediate recall of Somali troops from Ethiopian territory. The Somali claimed that his country was not a party to the dispute and that the Western Somali Liberation Front should be represented at the talks. In addition, he called for an end to Ethiopian colonialism and self-determination in the Ogaden.



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